

FISCAL NOTE

Bill #: HB108

Title: Revise taxation of class 4 property;
exemption; rate reduction; valuation

Primary

Sponsor: Representative Swanson

Status: Third Reading as Amended

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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Fiscal Summary

Fiscal Year 1999 Administrative Costs:

Due to the retroactive implementation date (December 31, 1998) of this proposal, there will be a fiscal impact in FY1999. Projected general fund administrative costs are \$277,060 in FY1999.

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
Expenditures:		
General Fund (01)	2,008,833	2,485,290
Revenue:		
General Fund (01)	(3,192,437)	(3,300,980)
State Special Revenue (6 mill)	(200,551)	(207,370)
State Special Revenue (9 mill)	(120,331)	(124,422)
Net Impact on General Fund Balance:	(5,201,270)	(5,786,270)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

1. The proposal will take effect January 1, 1999 (FY00 and FY01 property tax revenue impacts).
2. Administrative costs associated with completing a new reappraisal cycle (classes 3, 4, and 10 properties) are estimated to be \$703,902 for personal services, \$39,520 for operating expenses and \$12,500 for equipment in FY2000. Estimates for FY2001 are \$646,504 for personal services and \$313,085 for operating expenses in FY2001.
3. An appropriation of \$277,060 will be necessary for FY1999 to cover the costs associated with the retroactive nature of this proposal.
4. Under the proposal, the taxable rate for classes 3 and 4 will be set at 3.50%.

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5. Beginning January 1, 1999, assessed values for classes 3,4, and 10 are at full 1997 reappraisal values.
6. The homestead exemption value is 35% of the first \$200,000 or less of market value for all residences and rental multi-family dwelling units and a commercial relief exempting 20% of the first \$200,000 of market value from taxation (see technical note #1).
7. The proposal will result in a decrease in taxable value of \$30,873,972 in FY00 and a decrease in taxable value of \$31,923,687 in FY01. Of this total, \$11,364,163 (FY00) and \$11,750,950 (FY01) is subject to the 1.5 vo-tech mill levy, and \$13,370,065 (FY00) and \$13,824,647 (FY01) is subject to the 9 mill levy for state assumption of welfare.
8. The proposal will result in a property tax revenue decrease for the general fund of \$3,192,437 in FY00 and \$3,300,980 in FY01.
9. The proposal will result in a property tax revenue decrease for the 6 mill university levy of \$200,551 in FY00 and \$207,370 in FY01.
10. The proposal will result in a property tax revenue decrease for the 9 mill levy for state assumption of welfare \$120,331 in FY00 and \$124,422 in FY01.
11. The impact to the property tax revenues of local governments is dependent upon the reaction of local governments to changes in their tax base. Generally, but not in all cases, the proposal results in a decrease in the tax base for local governments. There would be no impact to local governments under the assumption that local governments would adjust mill levies up or down accordingly to generate revenues equal to current law levels.
12. Under assumption 11 it is estimated that property taxes paid by residences and rental multi-family dwelling units would decrease \$31,943,291 from current law in FY00 and after. It is estimated that property taxes paid by class four commercial property would increase \$4,890,387 from current law in FY00 and after.
13. The change in taxable values will cause school districts to change GTB levies in FY2000 and FY2001 to maintain minimum budgets required under section 20-9-308(1)(a), MCA. The change will increase by \$1,252,911 the amount of state GTB aid in FY2000 and increase by \$1,525,701 the amount of state GTB aid in FY2001.

FISCAL IMPACT:

	<u>FY2000</u> <u>Difference</u>	<u>FY2001</u> <u>Difference</u>
FTE	21.00	21.00
<u>Expenditures:</u>		
Personal Services	703,902	646,504
Operating Expenses	39,520	313,085
Equipment	12,500	
State GTB Aid	<u>1,252,911</u>	<u>1,525,701</u>
TOTAL	2,008,883	2,485,290

Funding:

General Fund (01)	2,008,883	2,485,290
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Revenues:

General Fund (01)	(3,192,437)	(3,300,980)
State Special Revenue (6 mill)	(200,551)	(207,370)
State Special Revenue (9 mill)	(120,331)	(124,422)

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Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	(5,201,270)	(5,786,270)
State Special Revenue (02)	(200,551)	(207,370)
Federal Special Revenue (03)	(120,331)	(124,422)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The impact on local governments is dependent upon the reaction of local governments to changes in their tax base (see assumption 11).

LONG-RANGE IMPACTS:

Ongoing administrative costs of \$999,702 are projected for FY2002 and beyond due to the three-year reappraisal cycle proposed by this bill.

TECHNICAL NOTES:

1. The bill excludes 65% of the first \$200,000 of market value for homestead relief and excludes 80% of the first \$200,000 of market value of commercial buildings. An amendment should be made to correct this to reflect the intent of exempting 35% of the first \$200,000 for homestead relief and exempting 20% of the first \$200,000 of market value for commercial buildings.